

SECTION V - MAINE BUDGET STABILIZATION FUND

The Maine Budget Stabilization Fund was established in 2003 to replace the Maine Rainy Day Fund (see 5 M.R.S.A. §1513). This General Fund reserve account is intended to be used for the prepayment of outstanding General Fund bonds or for major construction (defined as a single project with a total cost of over \$500,000). The Governor may also allocate funds from the Budget Stabilization Fund for payment of death benefits for law enforcement officers and firefighters.

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. As the first priority before any other transfer, the State Controller is required to transfer 32% of the unappropriated surplus of the General Fund, when the fund is not at its statutory cap.

The statutory cap for the fund is 10% of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2004 actual General Fund revenue, the statutory cap at the close of fiscal year 2005 was \$279,084,505. At the close of fiscal year 2005, the balance of the Maine Budget Stabilization Fund was \$47,071,215. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

The table and graph on the following page provide additional detail of the history of the Maine Rainy Day Fund and its successor, the Maine Budget Stabilization Fund, and includes ending balances and the statutory caps at the end of each fiscal year. Beginning in fiscal year 1999, the ending statutory caps are based on the General Fund revenue of that fiscal year rather than the prior fiscal year.

History - Maine Budget Stabilization Fund (Maine Rainy Day Fund)

Maine Rainy Day Fund was enacted by PL 1985, c. 448 effective June 26, 1985. The fund was originally capped at \$25,000,000. PL 1987, c. 349, Part H authorized that, for the period starting June 30, 1988 and ending June 30, 1989, “the fund may exceed \$25,000,000 but not more than \$48,000,000” to reserve payments for the Maine State Retirement System. PL 1991, c. 589, effective July 14, 1991, increased the cap to “not exceed 4% of the total General Fund revenues received in the immediately preceding fiscal year.” PL 1997, c. 643, Part E, effective June 30, 1998, increased the cap from 4% to 5%. PL 1999, c. 401, Part GGG, increased the cap from 5% to 6% effective June 4, 1999. Amended by PL 1999, c. 749 effective August 11, 2000 to clarify that the Maine Rainy Day Fund is the first priority of transfers and that one-half of the excess General Fund revenue is reserved rather than transferred at the close of each fiscal year. PL 2003, c. 451, Part X changed the name of the Maine Rainy Day Fund to the Maine Budget Stabilization Fund. Part X also changed the amount of the year-end transfer to 32% of unappropriated surplus of the General Fund, increased the cap to 10% of revenue and clarified that at the close of the fiscal year the cap is based on the revenue of the fiscal year being closed.

PL 2005, c. 2, effective July 1, 2005, increased the cap from 10% to 12% of revenue, revised the uses of the fund to only address a revenue shortfall, but retained the authority to pay death benefits for law enforcement officers and firefighters and changed the methodology for determining transfers to and from the fund in conjunction with an appropriation limitation. These changes are not reflected in the text above, but will be included in next year’s report.

**TABLE V-1 MAINE BUDGET STABILIZATION FUND
(FORMERLY THE MAINE RAINY DAY FUND)
History of Ending Balances and Statutory Caps**

Fiscal Year Ending June 30th	General Fund Revenue	Ending Statutory Cap	Ending Balance	Ending Balance as a % of General Fund Revenue
1986	\$948,570,406	\$25,000,000	\$9,969,161	1.1%
1987	\$1,117,804,254	\$25,000,000	\$25,000,000	2.2%
1988	\$1,291,702,852	\$25,000,000	\$25,000,000	1.9%
1989	\$1,430,615,011	\$48,000,000	\$25,000,000	1.7%
1990	\$1,379,458,165	\$25,000,000	\$3,595,563	0.3%
1991	\$1,424,084,700	\$25,000,000	\$82,473	0.0%
1992	\$1,512,463,098	\$56,963,388	\$756,513	0.1%
1993	\$1,561,402,638	\$60,498,524	\$6,713,842	0.4%
1994	\$1,623,888,486	\$62,456,106	\$16,765,494	1.0%
1995	\$1,671,736,430	\$64,955,539	\$6,422,240	0.4%
1996	\$1,766,400,761	\$66,869,457	\$38,240,859	2.2%
1997	\$1,863,086,301	\$70,656,030	\$45,724,219	2.5%
1998	\$2,111,860,005	\$93,154,315	\$91,690,842	4.3%
1999	\$2,259,718,302	\$126,711,600	\$131,689,407	5.8%
2000	\$2,395,216,806	\$143,713,008	\$143,478,658	6.0%
2001	\$2,390,628,351	\$143,437,701	\$143,713,008	6.0%
2002	\$2,331,660,562	\$139,899,634	\$33,920,682	1.5%
2003	\$2,394,690,190	\$239,469,019	\$10,579,345	0.4%
2004	\$2,683,539,557	\$268,353,956	\$33,158,244	1.2%
2005	\$2,790,845,053	\$279,084,505	\$47,071,215	1.7%

